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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

NEW BAY CAPITAL, LLC
Petitioner

v.

VIRNETX INC.
Patent Owner

Case IPR2013-00377
Patent 7,418,504

**Patent Owner's Preliminary Response
to Petition for *Inter Partes* Review
of U.S. Patent No. 7,418,504**

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I. Introduction

Patent Owner VirnetX Inc. (“VirnetX” or “Patent Owner”) respectfully submits this Preliminary Response in accordance with 35 U.S.C. § 313 and 37 C.F.R. § 42.107, responding to the Petition for *Inter Partes* Review (Paper No. 4, the “Petition”) filed by New Bay Capital, LLC (“New Bay”).

This Petition is one of eleven *inter partes* reviews requested recently by Apple Inc. (“Apple”) and New Bay against VirnetX’s patents. Three of the *inter partes* review petitions challenge VirnetX’s U.S. Patent No. 7,418,504 (“the ’504 patent”).

New Bay’s Petition marks the seventh challenge to the validity of the ’504 patent. Apple and Cisco Systems, Inc. (“Cisco”) raised the first and second challenges to the ’504 patent in district court. Neither succeeded. The cases were tried before separate juries, and both juries upheld the validity of the asserted ’504 patent claims. (Ex. 2001, Jury Verdict Form Against Apple in *VirnetX, Inc. v. Apple Inc.*, Case No. 6:10-CV-417 (E.D. Tex. Nov. 6, 2012) (“the ’417 Litigation”); Ex. 2002, Jury Verdict Form as to Cisco in the ’417 Litigation (E.D. Tex. Mar. 14, 2013). The court later entered judgments upholding the validity of the ’504 patent. (Ex. 2003, Final Judgment Against Apple in the ’417 Litigation (E.D. Tex. Feb. 28, 2013); Ex. 2004, Final Judgment as to Cisco in the ’417 Litigation (E.D. Tex. Mar. 19, 2013).)

In the third and fourth challenges, Apple and Cisco each requested *inter partes* reexamination of the '504 patent (Control Nos. 95/001,788 and 95/001,851). Those reexaminations are ongoing.

Apple recently sought the fifth and sixth challenges to the '504 patent by filing two *inter partes* review petitions.¹ (See Case Nos. IPR2013-00393, “the '393 petition,” and IPR2013-00394, “the '394 petition”). Those proceedings are ongoing but not instituted. New Bay’s Petition represents the seventh challenge to the '504 patent, and is now one of the five pending post-grant challenges before the Office concerning the '504 patent (two reexaminations and three *inter partes* review petitions).

These proceedings are largely duplicative of one another, and instituting New Bay’s *inter partes* review will only serve to duplicate efforts already undertaken in litigation and in pending reexamination of the '504 patent. Indeed, each of New Bay’s proposed rejections is based in whole or part on *Kiuchi*. *Kiuchi* is also asserted in the Cisco reexamination (Control No. 95/001,851). Further, in the '417 Litigation, Apple’s primary invalidity theory—and the only theory it

¹ New Bay’s Petition should also not be joined with Apple’s petitions for the '504 patent, if instituted, for the reasons discussed in VirnetX’s Opposition to Apple’s Motion for Joinder, filed August 28, 2013, in matters IPR2013-00393 and -00394.

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